

INCOMING TELEGRAM

Department of State

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Action

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FROM: BONN

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TO: Secretary of State

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SENT DEPARTMENT 1844; REPEATED INFORMATION BERLIN 614.

REFERENCE: (A) BERLINTEL SENT DEPT 708 RPTD BONN 635.
(B) EMBTEL SENT BERLIN 608 RPTD DEPT 1829.
(C) EMBTEL SENT DEPT 1805 RPTD BERLIN 600.

1. EMB OFFICERS DISCUSSED WITH GOV PROPERTY MINISTRY OFFICIAL, THIESSEN, WHO SITS ON BCIC, WEST BERLIN ECONOMIC SITUATION, FEDREP BASIC BERLIN ECONOMIC OBJECTIVES, BCIC DEVELOPMENTS. POSITION AS DEVELOPED BY THIESSEN SEEMS INTERNALLY CONSISTENT AND UNDOUBTEDLY REFLECTS WELL THOUGHT OUT FEDREP POSITION. EMB WILL CONTINUE EXPLORE SITUATION DESCRIBED REF A, AS DATA, INDICATED REF B, ARE ASSEMBLED. HOWEVER, INFORMATION DEVELOPED IN INTERVIEW INDICATES NO REPEAT NO DOWNTURN IN BUSINESS SENTIMENT TO INVEST IN BERLIN.

2. MAJOR IDEAS EXPRESSED BY THIESSEN:

A. ON BERLIN INVESTMENT:

(1) PRESENT ECONOMIC SITUATION BERLIN IMPROVING --ORDERS UP, UNEMPLOYMENT DOWN, INDUSTRIAL CAPACITY RISING.

(2) FEDREP LONG-TERM OBJECTIVE IS TO PROMOTE ECONOMIC DEVELOPMENT BERLIN AND MAKE BERLIN INTO LARGER INDUSTRIAL CITY.

(3) IMMEDIATE OBJECTIVE IS TO INCREASE INVESTMENT IN BERLIN THROUGH POSITIVE INCENTIVES, E.G. NEW TAX ADVANTAGE GRANTED BERLIN THROUGH SPEEDED-UP WRITE-OFF OF NEW INVESTMENT; FIRMS BEING URGED TO UNDERTAKE IMMEDIATELY PLANNED INVESTMENT SCHEDULE FOR NEXT FEW YEARS; WEST GERMAN FIRMS BEING URGED TO INVEST IN BERLIN WITH

PERMANENT

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BERLIN WITH TAX AND FINANCIAL ADVANTAGES STRESSED; GOVT ORDERS, FOR BUNDESBahn, BUNDESPOST, ETC., ORIGINALLY PLANNED FOR FUTURE BEING PLACED IN BERLIN NOW; CONSIDERABLY MORE FUNDS THAN LAST YEAR TO BE PROVIDED FOR INVESTMENT LOANS THROUGH ERP SPECIAL FUND.

B. ON BCIC POLICY

(1) THIESSEN SPOKE OF REQUESTS FOR UNUSUALLY LARGE LOANS FROM LARGE AND MEDIUM SIZE FIRMS BEING PLACED ON LAST MEETING BCIC AGENDA. (IT APPEARED TO EMB OFFICERS BY INFERENCE THAT WORD GOT AROUND THAT FEDREP WOULD SUPPORT IN BCIC AS LARGE A LOAN PROGRAM AS POSSIBLE. THIESSEN COULD NOT SAY WHETHER THERE HAD BEEN A FALL-OFF IN LOAN REQUESTS FROM SMALL COMPANIES.)

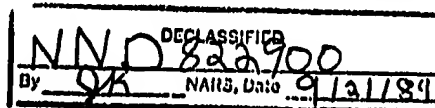
(2) IN LAST BCIC MEETING FEDREP REPS FOLLOWED PRINCIPLE OF FLEXIBILITY WITH RESPECT TO ADHERENCE TO ESTABLISHED RULES ON RESERVING FUNDS FOR ENTERPRISES WHICH CANNOT FIND FUNDS ELSEWHERE, AND PERMITTING LARGER THAN USUAL INDIVIDUAL LOANS. THIESSEN EXPRESSED PREFERENCE TO LEAVE EXISTING RULES ON POST-ZABLOCK FUNDS UNCHANGED WHILE FOLLOWING ABOVE POLICY, PENDING FURTHER DEVELOPMENTS. ✓

(3) FEDREP WILL APPARENTLY SEEK ADDITIONAL FUNDS FOR LOAN OPERATIONS IF AND WHEN BCIC FUNDS ALLOCATED FOR THIS YEAR PREMATURELY EXHAUSTED.

C. ON GUARANTEES OF ASSETS IN BERLIN IN EVENT POLITICAL INTERFERENCE:

(1) FEDREP HAS EXAMINED FEASIBILITY INCREASING INSURANCE PROTECTION AND GUARANTEES AGAINST VARIOUS TYPES OF RISKS MET IN BERLIN ARISING FROM POLITICAL INTERFERENCE AND HAS TURNED DOWN MOST PLANS. ESTABLISHMENT NEW TRANSPORT GUARANTEES, REPORTED REF C, REGRETTED IN SOME GOVT QUARTERS, THIESSEN STATES.

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- (2) BASIC REASONS FOR INSURANCE TURNDOWN POLICY ARE (A) ECONOMIC SITUATION GOOD AND HELPFUL RESPONSE BY BERLIN AND WEST GERMAN BUSINESS TO BERLIN "CRISIS" EXCEEDS ALL EXPECTATIONS (B) POSITIVE MEASURES DESCRIBED ABOVE PREFERABLE TO GUARANTEES (C) MERE CONSIDERATION GUARANTEE MEASURES BELIEVED COUNTERPRODUCTIVE AS WILL TEND INCREASE BUSINESS ANXIETY AND LEAD TO FALL-OFF ORDERS, INVESTMENT, (D) EXPERIENCE SHOWS THAT PREPARATION IN SECRET OF PLANS FOR BERLIN NOT POSSIBLE.
- (3) AT END INTERVIEW, EMB OFFICERS STATED THAT EMB WOULD STUDY BCIC POLICY.

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